

BANK INDONESIA REGULATION  
NUMBER 20/9/PBI/2018  
ON  
SHARIA NEGOTIABLE CERTIFICATE OF DEPOSIT  
TRANSACTIONS IN MONEY MARKET  
  
BY THE BLESSINGS OF ALMIGHTY GOD  
GOVERNOR OF BANK INDONESIA,

- Considering:
- a. that Bank Indonesia aims to achieve and maintain rupiah rate stability;
  - b. that to achieve and maintain rupiah rate stability, Bank Indonesia determines and implements the policy of monetary and macroprudential as well as rupiah payment and management system, with the support of liquid and efficient financial market;
  - c. that to achieve liquid and efficient financial market, it is required to develop money market instruments based on sharia principle tradable by money market participants;
  - d. that the availability of money market instruments based on sharia principle also allows liquidity management flexibility for money market participants and boosts national economic financing; and
  - e. that based on the foregoing considerations as referred to from point a to point d, it is necessary to issue Bank Indonesia Regulation on Sharia Negotiable Certificate of Deposit Transactions in the Money Market;

- Observing:
1. Law Number 23 of 1999 on Bank Indonesia (State Gazette of the Republic of Indonesia of 1999 Number 66, Supplement to State Gazette of the Republic of Indonesia Number 3843) as amended several times and last, by Law Number 6 of 2009 on Issuance of Government Regulation in Lieu of Law Number 2 of 2008 on the Second Amendment to Law Number 23 of 1999 on Bank Indonesia becomes a Law (State Gazette of the Republic of Indonesia of 2009 Number 7, Supplement to State Gazette of the Republic of Indonesia Number 4962);
  2. Law Number 21 of 2011 on Financial Services Authority (State Gazette of the Republic of Indonesia of 2011 Number 111, Supplement to State Gazette of the Republic of Indonesia Number 5253); and
  3. Bank Indonesia Regulation Number 18/11/PBI/2016 on Money Market (State Gazette of the Republic of Indonesia of 2016 Number 148, Supplement to State Gazette of the Republic of Indonesia Number 5909);

HAS DECIDED:

To Enact: BANK INDONESIA REGULATION ON SHARIA NEGOTIABLE CERTIFICATE OF DEPOSIT TRANSACTIONS IN THE MONEY MARKET.

## CHAPTER I GENERAL PROVISIONS

### Article 1

In this Bank Indonesia Regulation:

1. Bank means a sharia commercial bank and sharia business unit.
2. Sharia Commercial Bank means a sharia commercial bank

as specified in the Law on sharia banking.

3. Sharia Business Unit means a sharia business unit as specified in the Law on sharia banking.
4. Money Market means a part of a financial system pertaining to trade, lending and borrowing, or short-term funding activities until 1 (one) year in rupiah and foreign currency, playing roles in monetary policy transmission, achievement of financial system stability, and smooth rupiah payment and management system.
5. Money Market Instrument means an instrument transacted in a Money Market, including instruments issued with a term until 1 (one) year, negotiable certificate of deposit, and other instruments issued by Bank Indonesia, including those based on sharia principle.
6. Negotiable Certificate of Deposit based on Sharia Principle, hereinafter referred to as Sharia Negotiable Certificate of Deposit, means a Money Market instrument in the form of savings in time deposits based on sharia principle whose deposit certificate evidence is transferable.
7. Sharia Negotiable Certificate of Deposit Transaction means a Sharia Negotiable Certificate of Deposit transfer by way of sale and purchase through a Money Market at an agreed price and with certain settlement mechanism and administration.
8. Money Market Participant, hereinafter referred to as Market Participant, means a money market participant as specified in Bank Indonesia provisions on money market.
9. Issuer of Sharia Negotiable Certificate of Deposit, hereinafter referred to as Issuer, means a party issuing Sharia Negotiable Certificate of Deposit.

10. Participant of Sharia Negotiable Certificate of Deposit Transaction, hereinafter referred to as Transaction Participant, means a party conducting Sharia Negotiable Certificate of Deposit Transaction in the Money Market.
11. Money Market Supporting Institution means a money market supporting institution as specified in Bank Indonesia provisions on money market.
12. Supporting Institution of Sharia Negotiable Certificate of Deposit Transaction means a Money Market Supporting Institution providing intermediary services for Sharia Negotiable Certificate of Deposit Transactions.
13. Supporting Institution of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transaction means a Money Market Supporting Institution providing administration and settlement services for Sharia Negotiable Certificate of Deposit Transactions.
14. Securities Company means a securities company as specified in the Law on the capital market.
15. Money Broker of a Rupiah and Foreign Exchange Money Market, hereinafter referred to as Money Broker, means a Money Broker as specified in the provisions of Bank Indonesia on money broker in rupiah and foreign exchange market.
16. Custodian means a custodian as specified in the Law on the capital market.
17. Deposit and Settlement Agency, hereinafter referred to as LPP, means a party implementing central Custodian activities for Custodian Banks, Securities Companies, and other parties to record and administer scripless Sharia Negotiable Certificates of Deposit.

18. Non-Resident means an individual, legal entity, or any other entities non-domiciled in Indonesia or domiciled in Indonesia for less than 1 (one) year and whose main activities are not conducted in Indonesia.
19. Repurchase Agreement based on Sharia Principle, hereinafter referred to as Sharia Repo, means a selling of Sharia Negotiable Certificate of Deposit by their owners to other Sharia Negotiable Certificate of Deposit investors conducted based on sharia principle with a repurchase covenant at the agreed time.
20. Sharia Principle means a sharia principle as specified in the Law on sharia banking.
21. Mudarabah means a cooperation between a first party, namely *malik*, *shahibul mal*, or customer, as a fund owner and a second party, namely '*amil*, *mudarib*, or Bank, acting as a fund manager by sharing the business profits in accordance with a sharia contract.

## CHAPTER II

### SCOPE

#### Article 2

Sharia Negotiable Certificate of Deposit which is regulated in this Bank Indonesia Regulation constitute a Sharia Negotiable Certificate of Deposit transacted in the Money Market.

### CHAPTER III

#### CRITERIA OF SHARIA NEGOTIABLE CERTIFICATE OF DEPOSIT TRANSACTED IN THE MONEY MARKET

##### Article 3

- (1) Sharia Negotiable Certificate of Deposit transacted in the Money Market is required to meet the following criteria:
  - a. it is issued and administered scripless;
  - b. it is issued in rupiah or foreign currency denomination;
  - c. it is issued not by using interest mechanism, including discount mechanism;
  - d. it is issued in the lowest nominal amount of Rp1,000,000,000.00 (one billion rupiah) or its equivalent in foreign currency;
  - e. it has a period of 1 (one) month, 3 (three) months, 6 (six) months, 9 (nine) months, 12 (twelve) months, 24 (twenty-four) months, or 36 (thirty-six) months;
  - f. it is transferred electronically;
  - g. it is registered and administered in Bank Indonesia or LPP appointed by Bank Indonesia;
  - h. it is issued based on Mudarabah contract; and
  - i. the yield is given as profit sharing.
- (2) The profit sharing as referred to in paragraph (1) point i is calculated based on business activities funded by Sharia Negotiable Certificate of Deposit.
- (3) Further provisions on the criteria for Sharia Negotiable Certificate of Deposit as referred to in paragraph (1) are regulated in a Regulation of Member of Board of Governors.

CHAPTER IV  
MARKET PARTICIPANTS AND MONEY MARKET SUPPORTING  
INSTITUTIONS

Article 4

- (1) Market Participants in Sharia Negotiable Certificate of Deposit Transaction include:
  - a. Issuer; and
  - b. Transaction Participant.
- (2) The Issuer as referred to in paragraph (1) point a namely a Bank.
- (3) The Transaction Participants as referred to in paragraph (1) point b include:
  - a. banks;
  - b. Securities Companies; and
  - c. customers.
- (4) The customers as referred to in paragraph (3) point c include:
  - a. banks;
  - b. Securities Companies;
  - c. corporations;
  - d. Individuals; and
  - e. Non-Residents.

Article 5

- (1) Money Market Supporting Institutions in Sharia Negotiable Certificate of Deposit Transactions include:
  - a. Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions; and

- b. Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions.
- (2) The Supporting Institutions of Sharia Negotiable Certificates of Deposit Transactions as referred to in paragraph (1) point a include:
  - a. Securities Companies; and
  - b. Money Brokers.
- (3) The Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions as referred to in paragraph (1) point b include:
  - a. banks conducting Custodian activities; and
  - b. Securities Companies.
- (4) The Transaction Participants in the form of banks as referred to in Article 4 paragraph (3) point a and Securities Companies as referred to in Article 4 paragraph (3) point b may conduct Sharia Negotiable Certificate of Deposit Transactions for their own interest and their customer's interest.
- (5) The banks and Securities Companies as referred to in paragraph (4) conduct a direct Sharia Negotiable Certificate of Deposit Transactions without the participation of Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions.
- (6) The Transaction Participants in the form of customers as referred to in Article 4 paragraph (3) point c conduct Sharia Negotiable Certificate of Deposit Transactions for their own interest.



- (7) The customers as referred to in paragraph (6) must conduct Sharia Negotiable Certificate of Deposit Transactions through Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions registered with Bank Indonesia.

## CHAPTER V INFORMATION OPENNESS

### Article 6

- (1) A bank as an Issuer as referred to in Article 4 paragraph (2) is required to specify information in the bidding information document for investor to know, at least the following information
- a. the statement of “may be transacted in the Money Market”;
  - b. the contract;
  - c. the ratio percentage of customer’s profit sharing;
  - d. the percentage of yield indication level;
  - e. the mechanism of profit-sharing calculation;
  - f. the date of profit-sharing payment;
  - g. the information on profit sharing tax; and
  - h. the funded business activities if *Mudarabah muqayyadah* contract is used.
- (2) In addition to the information as referred to in paragraph (1), a Bank as an Issuer is also required to include a notification specify a notice to an investor candidate who buys Sharia Negotiable Certificate of Deposit in the primary market and buys and/or sells Sharia Negotiable Certificate of Deposit in the secondary market to approve a provision

of data and/or information to Bank Indonesia on ownership, transactions, and settlements of Sharia Negotiable Certificate of Deposit transactions.

- (3) A Bank as an Issuer is required to inform the yield realization level of Sharia Negotiable Certificate of Deposit.
- (4) Further provisions on information openness are regulated in a Regulation of Member of Board of Governors.

## CHAPTER VI ISSUERS PERMITS

### Article 7

- (1) Any Bank issuing Sharia Negotiable Certificate of Deposit transacted in the Money Market is required to obtain a permit from Bank Indonesia.
- (2) The permit from Bank Indonesia as referred to in paragraph (1) is required for a Bank issuing Sharia Negotiable Certificate of Deposit for the first time to be transacted in the Money Market.
- (3) The permit as referred to in paragraph (1) will be granted if a Bank has:
  - a. obtained an approval of the authorized authority for the issuance of scripless Sharia Negotiable Certificate of Deposit; and
  - b. met the requirements determined by Bank Indonesia.
- (4) The Sharia Negotiable Certificate of Deposit issued by a Bank as referred to in paragraph (1) without a permit as an Issuer may not be transacted in the Money Market.
- (5) In the event that Bank Indonesia appoints LPP, a Bank as an Issuer which has obtained a permit from Bank Indonesia

as referred to in paragraph (1) must submit a copy of the issuance permit to LPP as part of the supporting documents for registration of Sharia Negotiable Certificate of Deposit in LPP administration.

- (6) Further provisions on the mechanism of issuance permit and requirements are regulated in a Regulation of Member of Board of Governors.

## CHAPTER VII

### REGISTRATION OF MONEY MARKET SUPPORTING INSTITUTIONS

#### Part One

#### Registration of Supporting Institutions for Sharia Negotiable Certificates of Deposit Transactions

#### Article 8

- (1) Securities Companies and Money Brokers acting as intermediaries of implementation of Sharia Negotiable Certificates of Deposit Transactions are required to obtain a permit of Bank Indonesia as Supporting Institutions of Sharia Negotiable Certificates of Deposit Transactions.
- (2) The approval for registration as referred to in paragraph (1) will be granted if the Securities Companies and Money Brokers have:
  - a. obtained a permit of intermediary business activities in the implementation of transactions from the authorized authority; and
  - b. met administrative requirements determined by Bank Indonesia.

- (3) Further provisions on mechanism of registration of Securities Companies and Money Brokers as the Supporting Institutions in Sharia Negotiable Certificate of Deposit Transactions are regulated in a Regulation of Member of Board of Governors.

## Part Two

### Registration of Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions

#### Article 9

- (1) Any Banks conducting Custodian and Securities Company activities, which conduct the administration and settlement of Sharia Negotiable Certificate of Deposit Transactions, are required to obtain an approval for registration from Bank Indonesia as Supporting Institutions in Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions
- (2) The approval for registration as referred to in paragraph (1) shall be granted if a bank conducting Custodian and Securities Companies activities has:
  - a. obtained a permit for business activities as Custodian from the authorized authority; and
  - b. met administrative requirements determined by Bank Indonesia.
- (3) Further provisions on mechanism of registration of banks conducting Custodian and Securities Companies activities as Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions are regulated in a Regulation of Member of Board of Governors.

### Part Three

#### Registration of Transaction Supporting Institutions and Supporting Institutions of Administration and Settlement of Negotiable Certificate of Deposit Transactions to Become Transaction Supporting Institutions and Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions

#### Article 10

- (1) Securities Companies and Money Brokers, which have obtained a permit from Bank Indonesia as supporting institutions of negotiable certificate of deposit transactions based on Bank Indonesia provisions on negotiable certificate of deposit transactions in the money market, may become Supporting Institutions in Sharia Negotiable Certificate of Deposit Transactions after obtaining an approval for registration as Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions from Bank Indonesia.
- (2) The Securities Companies and Money Brokers as referred to in paragraph (1) are required to apply for registration to Bank Indonesia as Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions.
- (3) Further provisions on mechanism of registration of supporting institutions of negotiable certificate of deposit transactions to become Supporting Institutions in Sharia Negotiable Certificate of Deposit Transactions are regulated in a Regulation of Member of Board of Governors.

## Article 11

- (1) Any Banks conducting Custodian and Securities Companies activities, which have obtained a permit from Bank Indonesia as supporting institutions of administration and settlement of negotiable certificate of deposit transactions based on Bank Indonesia provisions on negotiable certificate of deposit transactions in the money market, may become Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions.
- (2) The supporting institutions of administration and settlement of negotiable certificates of deposit transactions as referred to in paragraph (1) is required to apply for registration to Bank Indonesia to become Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions.
- (3) Further provisions on mechanism of registration of supporting institutions of administration and settlement of negotiable certificate of deposit transactions to become a Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions are regulated in a Regulation of Member of Board of Governors.

## CHAPTER VIII

### SHARIA NEGOTIABLE CERTIFICATE OF DEPOSIT TRANSACTIONS IN THE SECONDARY MARKET

## Article 12

Any Transaction Participants are prohibited from conducting

Sharia Negotiable Certificate of Deposit Transactions in the secondary market before the fund from Sharia Negotiable Certificate of Deposit is used in business activities of an Issuing Bank.

#### Article 13

Any Transaction Participants in the form of banks and Securities Companies and any Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and Money Brokers are prohibited from conducting Sharia Negotiable Certificate of Deposit Transactions in the secondary market by applying interest mechanism, including discount mechanism.

#### Article 14

Sharia Negotiable Certificate of Deposit may be transacted in the secondary market in the following manner:

- a. outright by using *ba'i* contract; or
- b. Sharia Repo by using *al-bai' ma'a al- wa'd bi al-syira'* contract.

#### Article 15

- (1) A Sharia Negotiable Certificate of Deposit Transactions as referred to in Article 14 may be conducted:
  - a. directly; or
  - b. through Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions.
- (2) The Sharia Negotiable Certificate of Deposit Transactions conducted through Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions as referred to in paragraph (1) point b use *wakalah bil ujrah* contract.
- (3) The Sharia Negotiable Certificate of Deposit Transactions

as referred to in paragraph (1) exclude transactions between customers without the intermediary service of Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions.

- (4) A Transaction Participant of Sharia Negotiable Certificate of Deposit shall be deemed to have agreed to give access of detailed data on transactions, transaction settlements, and position of Sharia Negotiable Certificate of Deposit ownership to Bank Indonesia.
- (5) Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions and Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions must actively provide information on the provisions as referred to in paragraph (4) to customers of Sharia Negotiable Certificate of Deposit.

#### Article 16

Sharia Negotiable Certificate of Deposit Transactions in the secondary market must be settled within 3 (three) working days at the maximum after a transaction date.

#### Article 17

Sharia Negotiable Certificate of Deposit Transactions may be conducted by using Bank Indonesia's Electronic Trading Platform (BI-ETP) system or any other means of transaction commonly used in the money market.

#### Article 18

- (1) Transaction Participants in the form of Banks and Securities Companies are prohibited from selling Sharia Negotiable Certificate of Deposit to Non-Residents in the secondary market.



- (2) Any Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and Money Brokers are prohibited from providing any intermediary services to sell Sharia Negotiable Certificate of Deposit in rupiah and/or foreign currencies from resident customers to Non-Residents in the secondary market.

#### Article 19

- (1) The price in Sharia Negotiable Certificates of Deposit Transactions shall be the price agreed by both parties by calculating:
  - a. the nominal value of Sharia Negotiable Certificate of Deposit;
  - b. the realization of yield level of Sharia Negotiable Certificate of Deposit; and
  - c. the forecast of profit sharing right of the former holder of Sharia Negotiable Certificate of Deposit.
- (2) The Calculation of Sharia Negotiable Certificate of Deposit transaction price uses a day-count convention, namely actual/360.
- (3) Further provisions on the price in Sharia Negotiable Certificate of Deposit Transactions are regulated in a Regulation of Member of Board of Governors.

CHAPTER IX  
ADMINISTRATION AND SETTLEMENT OF  
SHARIA NEGOTIABLE CERTIFICATE OF DEPOSIT  
TRANSACTIONS

Article 20

- (1) Administration and settlement of Sharia Negotiable Certificate of Deposit Transactions are conducted through the means arranged by Bank Indonesia or LPP appointed by Bank Indonesia.
- (2) In the event that administration and settlement of Sharia Negotiable Certificates of Deposit Transactions are conducted in Bank Indonesia, the administration and settlement of Sharia Negotiable Certificate of Deposit Transactions shall refer to Bank Indonesia provisions on administration of securities.
- (3) In the event that administration and settlement of Sharia Negotiable Certificate of Deposit Transactions are conducted in LPP appointed by Bank Indonesia, the administration and settlement Sharia Negotiable Certificate of Deposit Transactions shall refer to the laws and regulations on LPP or provisions issued by LPP.

CHAPTER X  
APPLICATION OF SHARIA PRINCIPLES, PRUDENTIAL  
PRINCIPLES, AND RISK MANAGEMENT

Article 21

Any Bank, Securities Company, and Money Broker conducting activities as regulated in this Bank Indonesia Regulation is required to apply Sharia Principles.

Article 22

- (1) Any bank as an Issuer, bank conducting Custodian activities, Securities Company, and Money Broker conducting activities as regulated in this Bank Indonesia Regulation are required to apply the prudential principles based on the provisions on Bank Indonesia for money market.
- (2) The prudential principles as referred to in paragraph (1) for a Bank as an Issuer shall at least include:
  - a. transparency and information openness;
  - b. consumer protection; and
  - c. dispute settlement mechanism.
- (3) The prudential principles as referred to in paragraph (1) for Transaction Participants in the form of banks and Securities Companies and Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and Money Broker must at least include the following:
  - a. ethics of transactions and market code of conduct or any other similar guidelines;
  - b. transparency and information openness;
  - c. consumer protection; and
  - d. dispute settlement mechanism.
- (4) The prudential principles as referred to in paragraph (1) for Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions in the form of banks conducting Custodian and Securities Companies activities must at least include the following:
  - a. transparency and information openness;

- b. consumer protection; and
- c. dispute settlement mechanism.

#### Article 23

Any bank as an Issuer, bank conducting Custodian activities, Securities Companies, and Money Brokers conducting activities as referred to in this Bank Indonesia Regulation are required to effectively apply risk management.

#### Article 24

The obligation to apply the prudential principles as referred to in Article 22 and the obligation to apply the risk management as referred to in Article 23 shall be exempted for Market Participants in the form of corporate customers, individual customers, and Non-Resident customers.

### CHAPTER XI SUPERVISION

#### Article 25

- (1) Bank Indonesia shall supervise the issuance and transactions of Sharia Negotiable Certificate of Deposit in the Money Market based on the provisions on Bank Indonesia for money market.
- (2) In conducting the supervision as referred to in paragraph (1), Bank Indonesia may coordinate with other authorized authority.
- (3) The supervision as referred to in paragraph (1) is conducted on:

- a. Bank as an Issuer;
  - b. Transaction Participant in the form of banks and Securities Companies;
  - c. Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and Money Brokers; and
  - d. Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions in the form of banks conducting Custodian and Securities Companies activities.
- (4) The Supervision of the issuance and transactions of Sharia Negotiable Certificate of Deposit as referred to in paragraph (1) includes:
- a. indirect supervision; and/or
  - b. inspection.
- (5) Bank Indonesia may assign any other party to conduct the inspection as referred to in paragraph (4) point b.
- (6) Any party assigned for the inspection as referred to in paragraph (5) must maintain confidentiality of data, information, and details obtained from the inspection result.

#### Article 26

- (1) Any bank as an Issuer, bank as a Transaction Participant, bank conducting Custodian activities, Securities Company, and Money Broker as referred to in Article 25 paragraph (3) are required to provide and submit data, information, and details required by Bank Indonesia.

- (2) Any bank as an Issuer, bank as a Transaction Participant, bank conducting Custodian activities, Securities Company, and Money Broker as referred to in paragraph (1) are required to be responsible for the accuracy of data, information, and details submitted to Bank Indonesia.

## CHAPTER XII REPORTING

### Article 27

- (1) A Bank as an Issuer is required to submit information on realization of issuance of Sharia Negotiable Certificate Deposit to Bank Indonesia in each issuance.
- (2) In the event that Bank Indonesia appoints LPP, the information on realization of issuance as referred to in paragraph (1) shall be submitted by a Bank as an Issuer to Bank Indonesia not later than 5 (five) working days after a Sharia Negotiable Certificate of Deposit is issued and recorded effectively at LPP.
- (3) Further provisions on the mechanism of submission of information on realization of issuance are regulated in a Regulation of Member of Board of Governors.

### Article 28

- (1) Transaction Participants of Negotiable Certificate of Deposit Transactions in the form of bank as referred to in Article 4 paragraph (3) point a and Securities Companies as referred to in Article 4 paragraph (3) point b conducting transactions for their interest are required to submit a report on the Sharia Negotiable Certificate of Deposit Transactions that have been conducted to Bank Indonesia.
- (2) Transaction Participants of Negotiable Certificate of Deposit Transactions in the form of customer as referred to in Article

4 paragraph (3) point c are required to report an information on the Sharia Negotiable Certificate of Deposit Transactions that have been conducted to Bank Indonesia through:

- a. banks, if Sharia Negotiable Certificate of Deposit Transactions are conducted through a bank;
- b. Supporting Institutions of Sharia Negotiable Certificates of Deposit Transactions, if Sharia Negotiable Certificate of Deposit Transactions are conducted through Supporting Institutions of Sharia Negotiable Certificates of Deposit Transactions in the form of Securities Companies and/or Money Brokers ; and/or
- c. Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions, if the transactions are conducted directly by a customer without involving Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and/or Money Brokers.

(3) Any party involved in Sharia Negotiable Certificate of Deposit Transactions for the customer's interest as referred to in paragraph (2) in the form of:

- a. banks;
  - b. Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and Money Brokers ; and/or
  - c. Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transaction in the form of banks conducting Custodian and/or Securities Companies activities,
- are required to submit a report on Sharia Negotiable

Certificate of Deposit Transactions concerned to Bank Indonesia.

- (4) The parties as referred to in paragraph (2) and (3) shall submit a report through the reporting system of Bank Indonesia.
- (5) The Mechanism of the report submission by a bank as referred to in paragraph (1) and paragraph (3) point a shall refer to Bank Indonesia provisions on daily reports of commercial banks.
- (6) The Mechanism of report submission by:
  - a. The Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and Money Brokers as referred to in paragraph (3) point b; and
  - b. The Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions in the form of banks conducting Custodian and Securities Companies activities as referred to in paragraph (3) point c, shall refer to Bank Indonesia provisions on money market reports by non-banks and custodians.
- (7) Further provisions on the mechanism of submission of report on Sharia Negotiable Certificate of Deposit Transactions shall be regulated in a Regulation of Member of Board of Governors.

#### Article 29

- (1) LPP appointed by Bank Indonesia shall submit reports on administration of Sharia Negotiable Certificate of Deposit periodically to Bank Indonesia.
- (2) The Mechanism of report submission by LPP appointed by



Bank Indonesia shall be specified based on an agreement between Bank Indonesia and LPP.

## CHAPTER XIII

### REVOCATION OF PERMITS AND REGISTERED STATUS

#### Article 30

Bank Indonesia may revoke the granted Issuer's permits and the registered status of the Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions and Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions if any of the following applies:

- a. in the assessment and evaluation of Bank Indonesia, there are issues which may interfere the capability of Issuers, Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions, and/or Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions in conducting there activities in the Money Market;
- b. at the request of the relevant authority or professional agency;
- c. at the request of the relevant institution or individual; and/or
- d. there is a sanction imposed against any breach of this Bank Indonesia Regulation.

CHAPTER XIV  
SANCTIONS

Article 31

- (1) Any Bank which breaches the provisions on:
- a information openness as referred to in Article 6 paragraph (1), paragraph (2), and/or paragraph (3);
  - b registration as an Institution of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions as referred to in Article 9 paragraph (1) and/or Article 11 paragraph (2);
  - c Sharia Negotiable Certificate of Deposit Transactions in the secondary market as referred to in Article 12 and/or Article 13;
  - d application of Sharia Principles as referred to in Article 21;
  - e application of the prudential of principles as referred to in Article 22 paragraph (1);
  - f application of risk management as referred to in Article 23;
  - g provision of data and/or information as referred to in Article 26 paragraph (1) and/or paragraph (2); and/or
  - h submission of information on realization of issuance as referred to in Article 27 paragraph (1),
- shall be subject to an administrative sanction in the form of written warning.
- (2) Any Bank which breaches the provisions on:
- a fulfillment of criteria of Sharia Negotiable Certificates of Deposits as referred to in Article 3 paragraph (1); and/or
  - b permit as an Issuer as referred to in Article 7 paragraph

- (1), shall be subject to a payment obligation of 0.01% (zero point zero one percent) of the issuance nominal value, at the lowest of Rp1,000,000.00 (one million rupiah) and at the highest of Rp10,000,000.00 (ten million rupiah) per issuance.
- (3) Any Bank which breaches the provisions on selling Sharia Negotiable Certificate of Deposit as referred to in Article 18 paragraph (1) shall be subject to a payment obligation of 0.01% (zero point zero one percent) of the transaction nominal value, at the lowest of Rp1,000,000.00 (one million rupiah) and at the highest of Rp10,000,000.00 (ten million rupiah) at the maximum per transaction.
- (4) Any Bank which breaches the provisions on reporting as referred to in Article 28 paragraph (1) and/or Article 28 paragraph (3) point a shall be subject to sanctions as specified in Bank Indonesia provisions on daily reports of commercial banks.

## Article 32

- (1) Any Securities Companies which breach the provisions on:
- a. registration as Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions as referred to in Article 8 paragraph (1) and/or Article 10 paragraph (2);
  - b. registration as Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions as referred to in Article 9 paragraph (1) and/or Article 11 paragraph (2);
  - c. Sharia Negotiable Certificate of Deposit Transactions as referred to in Article 12 and/or Article 13;
  - d. application of Sharia Principles as referred to in Article

- 21;
  - e. application of the prudential principles as referred to in Article 22 paragraph (1);
  - f. application of risk management principles as referred to in Article 23; and/or
  - g. provision on data and/or information as referred to in Article 26 paragraph (1) and/or Article 26 paragraph (2), shall be subject to an administrative sanction in the form of written warning.
- (2) Any Securities Companies which breach the provisions on selling Sharia Negotiable Certificate of Deposit as referred to in Article 18 paragraph (1) and/or providing intermediary services for selling the Sharia Negotiable Certificates of Deposit as referred to in Article 18 paragraph (2) shall be subject to a payment obligation of 0.01% (zero point zero one percent) of the nominal value of the transaction which does not comply with the requirements, at the lowest of Rp1,000,000.00 (one million rupiah) and at the highest of Rp10,000,000.00 (ten million rupiah) per transaction.

### Article 33

- (1) Any Money Broker which breaches the provisions on:
- a. registration as Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions as referred to in Article 8 paragraph (1) and/or Article 10 paragraph (2);
  - b. Sharia Negotiable Certificate of Deposit Transactions in the secondary market as referred to in Article 13;
  - c. application of Sharia Principles as referred to in Article 21;

- d. application of the prudential principles as referred to in Article 22 paragraph (1);
  - e. application of risk management principles as referred to in Article 23; and/or
  - f. provision of data and/or information as referred to in Article 26 paragraph (1) and/or paragraph (2),
- shall be subject to an administrative sanction in the form of written warning.
- (2) Any Money Broker which breaches the provisions on intermediary services for selling Sharia Negotiable Certificate of Deposit as referred to in Article 18 paragraph (2) will be subject to a payment obligation of 0.01% (zero point zero one percent) of the nominal value of the transaction which does not comply with the requirements, at the lowest of Rp1,000,000.00 (one million rupiah) and at the highest of Rp10,000,000.00 (ten million rupiah) per transaction.

#### Article 34

- (1) Any Bank which breaches the provisions as referred to in Article 3 paragraph (1), Article 7 paragraph (1), Article 9 paragraph (1), Article 11 paragraph (2), Article 13, Article 18 paragraph (1), Article 21, Article 22 paragraph (1), Article 23, and/or Article 27 paragraph (1) for 3 (three) times within 6 (six) months shall be subject to a suspension of activities in the Money Market, in the form of issuance of Sharia Negotiable Certificate of Deposit transacted in the Money Market, Sharia Negotiable Certificate of Deposit Transactions for its own interest and/or customer's interest, and/or activities as Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions, for 1 (one) month.

- (2) Any Securities Company which breaches the provisions as referred to in Article 8 paragraph (1), Article 9 paragraph (1), Article 10 paragraph (2), Article 11 paragraph (2), Article 13, Article 18 paragraph (1), Article 18 paragraph (2), Article 21, Article 22 paragraph (1), and/or Article 23 for 3 (three) times within 6 (six) months shall be subject to a suspension of activities in the Money Market, in the form of Sharia Negotiable Certificate of Deposit Transactions for its own interest and/or customer's interest and/or activities as Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions, for 1 (one) month.
- (3) Any Money Broker which breaches the provisions as referred to in Article 8 paragraph (1), Article 10 paragraph (2), Article 13, Article 18 paragraph (2), Article 21, Article 22 paragraph (1), and/or Article 23, for 3 (three) times within 6 (six) months shall be subject to a suspension of activities in the Money Market, in the form of activities as Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions, for 1 (one) month.

#### Article 35

- (1) Any Bank, which has been sanctioned with a suspension of activities in the Money Market for 3 (three) times as referred to in Article 34 paragraph (1), shall be subject to a revocation of the granted permit and/or registered status.
- (2) Any Securities Company, which has been sanctioned with a suspension of activities in the Money Market for 3 (three) times as referred to in Article 34 paragraph (2), shall be subject to a revocation of the granted registered status.
- (3) Any Money Broker, which has been sanctioned with a suspension of activities in the Money Market for 3 (three)

times as referred to in Article 34 paragraph (3), shall be subject to a revocation of the granted registered status.

#### Article 36

- (1) The imposition of the payment sanction for a Bank as an Issuer as referred to in Article 31 paragraph (2) and for a bank as a Transaction Participant as referred to in paragraph (3) shall be conducted by Bank Indonesia by debiting the bank's current account with Bank Indonesia.
- (2) The imposition of the payment sanction on a Securities Company as referred to in Article 32 paragraph (2) shall be conducted by depositing into the account of Bank Indonesia and submitting the deposit slip not later than 10 (ten) working days upon receipt of the payment obligation letter from Bank Indonesia.
- (3) The payment sanction on Money Broker as referred to in Article 33 paragraph (2) is imposed by depositing into the account of Bank Indonesia and submitting the deposit slip not later than 10 (ten) working days upon the receipt of the payment obligation imposition letter from Bank Indonesia.

#### Article 37

Bank Indonesia may submit information on sanction imposition on:

- a. Bank as an Issuer;
- b. Bank as a Transaction Participant and/or Supporting Institution of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions;
- c. Securities Company as a Transaction Participant, Supporting Institution of Sharia Negotiable Certificate of

Deposit Transactions, and/or Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions; and/or

- d. Money Broker as Supporting Institution of Sharia Negotiable Certificate of Deposit Transactions, to the authorized authority.

## CHAPTER XV TRANSITIONAL PROVISIONS

### Article 38

Sharia Negotiable Certificate of Deposit which have been issued prior to the enforcement of this Bank Indonesia Regulation may remain be transacted in the Money Market until their due dates.

## CHAPTER XVI CLOSING PROVISIONS

### Article 39

The Obligation of reporting submitted by:

- a. Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and Money Brokers as referred to in Article 28 paragraph (3) point b; and
- b. Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions in the form of banks conducting Custodian and Securities Companies activities as referred to in Article 28 paragraph (3) point c,

shall come into force 6 (six) months upon the enforcement of this Bank Indonesia regulation.



Article 40

This Bank Indonesia Regulation comes into force on the date of its promulgation.

In order that every person may know hereof, it is ordered to promulgate this Bank Indonesia Regulation by its placement in the State Gazette of the Republic of Indonesia.

Issued in Jakarta

On 1 August 2018

GOVERNOR OF BANK INDONESIA,

SIGNED

PERRY WARJIYO

Promulgated in Jakarta

on 2 August 2018

MINISTER OF LAW AND HUMAN RIGHTS OF  
THE REPUBLIC OF INDONESIA,

SIGNED

YASONNA H. LAOLY

ELUCIDATION  
OF  
BANK INDONESIA REGULATION  
NUMBER 20/9/PBI/2018  
ON  
SHARIA NEGOTIABLE CERTIFICATE OF DEPOSIT TRANSACTIONS IN THE  
MONEY MARKET

I. GENERAL

In order to achieve and maintain rupiah rate stability, Bank Indonesia determines and implements the policy of monetary and macroprudential as well as rupiah payment and management system. The policies concerned need to be supported by a liquid and efficient financial market condition, including sharia financial market. Sharia financial market is developed among others through the development of instruments, infrastructures, regulations, and investor basis in the money market. The Development of instruments is directed to add the availability of liquidity in order to deepen the Money Market and to strengthen financial system stability.

One of sharia financial market instruments is Sharia Negotiable Certificate of Deposit. Sharia Negotiable Certificate of Deposit may serve as one of liquid instruments, which may support the improvement of sharia banking funding structures through longer funding term, support the potential increase of third party's funds, boost funding efficiency, and become one of national economy funding sources.

Regulation on Sharia Negotiable Certificate of Deposit by Bank Indonesia is in line with Article 18 of Regulation of Financial Services Authority Number 10/POJK.03/2015 on Issuance of Negotiable Certificate of Deposits by Banks, specifying that transfers of certificate of deposit, including those

based on sharia principles in scripless form which are conducted through the Money Market, is subject to the provisions of the authorized authority, namely Bank Indonesia as the authority of Money Market. The authority of Bank Indonesia is also confirmed in Bank Indonesia Regulation Number 18/11/PBI/2016 on Money Market.

Furthermore, in order to create a market of Sharia Negotiable Certificate of Deposit with support the establishment of a liquid, deep, and efficient Money Market, it is necessary to regulate Sharia Negotiable Certificate of Deposit Transactions in the Money Market. In addition, this regulation aims to mitigate potential systemic risks in financial system through strengthening of governance aspect, clear transaction mechanism, and supervisory authority.

## II. ARTICLE BY ARTICLE

### Article 1

Sufficiently Clear.

### Article 2

Sufficiently Clear.

### Article 3

#### Paragraph (1)

##### Point a

The term “*Scripless*” means issued without the physical Sharia Negotiable Certificate of Deposit and ownership evidence of a holder of Sharia Negotiable Certificate of Deposit is in the form of electronic record with LPP.

The Issuance and administration of scripless Sharia Negotiable Certificate of Deposit aim to facilitate transactions between investors.

Point b

Sufficiently Clear.

Point c

The term “Discount” means selling Sharia Negotiable Certificate of Deposit below par.

Point d

Issue size is determined at least to boost the use of Sharia Negotiable Certificates of Deposit instrument as a wholesale funding source and increase the potential to be transacted in the secondary market.

Point e

Standard period is determined to boost liquidity of transactions in the secondary market and create a benchmark of yield or profit sharing of the Sharia Negotiable Certificate of Deposit instrument.

Point f

Electronic transfer also includes transfer of records.

Point g

The term “LPP” means among others PT Kustodian Sentral Efek Indonesia (KSEI).

Point h

Profit sharing in a mudarabah contract is stated in the form of profit-sharing ratio.

Mudarabah contract may be in the form of Mudarabah *mutlaqoh* or Mudarabah *muqayyadah*.

In the event that Sharia Negotiable Certificate of Deposit use Mudarabah *mutlaqoh contract*, a Bank is not limited to use the customer's fund in fund extension activities to the extent it is not in contravention of Sharia Principles. In the event that Sharia Negotiable Certificate of Deposit use Mudarabah

*muqayyadah contract*, a customer as a fund owner applies certain requirements and limits to a Bank, among others on investment place, method, and/or object clearly stated under the contract.

Point i

A Yield from profit sharing of Sharia Negotiable Certificate of Deposit may be paid periodically or at the due date.

The term “Periodic” means based on a certain period; for example, monthly, quarterly, every semester, or annually.

Paragraph (2)

Business activities funded by Sharia Negotiable Certificates of Deposit may derive from business activities with fixed yields and/or changing yields (non-fix yield) in accordance with the contract.

Paragraph (3)

Sufficiently Clear..

Article 4

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

Sufficiently Clear.

Paragraph (3)

Point a

Sufficiently Clear.

Point b

Sufficiently Clear.

Point c

The term “Customer” means a any participant using intermediaries in implementation of transactions.

Paragraph (4)

Point a

Sufficiently Clear

Point b

Sufficiently Clear.

Point c

The term “Corporation” means a business entity other than banks incorporated and domiciled in Indonesia.

Point d

Sufficiently Clear.

Point e

Sufficiently Clear

Article 5

Sufficiently Clear.

Article 6

Paragraph (1)

The bidding information document used among others takes the form of information memorandum or any other similar and commonly used documents.

Point a

The inclusion of statement “May be transacted in the Money Market” aims to confirm that Sharia Negotiable Certificate of Deposit may be transacted in the Money Market.

Point b

The contract use, may be in the form of Mudarabah *mutlaqoh* or Mudarabah *muqayyadah*.

In the event that Sharia Negotiable Certificate of Deposit use Mudarabah *mutlaqoh contract*, a Bank is not limited to use customer's fund in funding activities, to the extent it is not in contravention with the Sharia Principles.

In the event that Sharia Negotiable Certificate of Deposit use Mudarabah *muqayyadah contract*, the customer which also act as the fund owner sets the requirements and limitations to the bank, such as the locations, method, and/or object of the investment which are clearly stated under the contract.

Point c

The term "The percentage of Profit sharing ratio of a customers" means a profit ratio percentage of a customer portion

Point d

The term "The percentage of Yield indication level ratio" means a forecast percentage of profit sharing from Sharia Negotiable Certificate of Deposit.

Point e

One of information in profit sharing calculation is the information on profit sharing method, namely profit sharing or non-profit sharing.

Point f

Sufficiently Clear.

Point g

Sufficiently Clear.

Point h

Sufficiently Clear.

Paragraph (2)

Sufficiently Clear.

Paragraph (3)

The Information on the realization of the yield of the profit sharing of Sharia Negotiable Certificate of Deposit may be submitted periodically or at the due date.

The term “Periodic” means based on a certain period; for example, monthly, quarterly, every semester, or annually.

The Information on yield level from Sharia Negotiable Certificate of Deposits is used as one of the references for Transaction Participants in determining price of Sharia Negotiable Certificate of Deposit transacted in the secondary market.

Media which may be used by a Bank to inform the yield realization level of Sharia Negotiable Certificate of Deposit among others include announcement board at the bank’s office, official webpage of the bank, and/or any other media.

The yield realization level may also be announced by LPP based on information from a Bank Issuing Sharia Negotiable Certificate of Deposit.

Paragraph (4)

Sufficiently Clear.

Article 7

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

Sufficiently Clear.



Paragraph (3)

Point a

Sufficiently Clear. Point b

The Fulfillment of Bank Indonesia's requirements among others consists of a statement letter signed by the Bank management pertaining to fulfillment of criteria for Sharia Negotiable Certificate of Deposit transacted in the Money Market, application of Sharia Principles, application of the prudential principles, risk management, and systemic risk consideration.

Paragraph (4)

Sufficiently Clear. .

Paragraph (5)

Sufficiently Clear.

Paragraph (6)

Sufficiently Clear.

Article 8

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

Point a

Sufficiently Clear.

Point b

The Fulfillment of Bank Indonesia's administrative requirements among others consists of a statement letter signed by the management pertaining to the application of Sharia Principles, application of prudential principles, and

application of risk management.

Paragraph (3)

Sufficiently Clear.

Article 9

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

Point a

Sufficiently Clear.

Point b

The Fulfillment of Bank Indonesia's administrative requirements among others consists of a statement letter signed by the management pertaining to the application of Sharia Principles, application of prudential principles, and application of risk management.

Paragraph (3)

Sufficiently Clear.

Article 10

Sufficiently Clear.

Article 11

Sufficiently Clear.

Article 12

Sufficiently Clear.

Article 13

Sufficiently Clear.

## Article 14

### Point a

Sufficiently Clear.

### Point b

In sharia *Repo*, sale and purchase of Sharia Negotiable Certificate of Deposit are conducted under an actual sale and purchase contract (*al-bai' al- haqiqi*), which is among others followed by transfer of ownership of the sold and purchased Sharia Negotiable Certificate of Deposit, including any other legal consequences inherent in Sharia Negotiable Certificate of Deposit, including but not limited to the right of yields of Sharia Negotiable Certificate of Deposit and price changes.

The term “*Al-bai' ma'a al-wa'd bi al-syira*” means a sale based on a repurchase promise at an agreed time.

## Article 15

### Paragraph (1)

Sufficiently Clear.

### Paragraph (2)

The term “*Wakalah bil ujroh*” means a grant of authority from an investor of Sharia Negotiable Certificate of Deposit to a Supporting Institution of Sharia Negotiable Certificate of Deposit Transactions to conduct Sharia Negotiable Certificate of Deposit Transactions with a certain fee (*ujrah*).

### Paragraph (3)

Sufficiently Clear.

### Paragraph (4)

Sufficiently Clear.

### Paragraph (5)

Sufficiently Clear.

#### Article 16

Regulation on settlement of Sharia Negotiable Certificates of Deposit Transactions aims to achieve an organized market based on the prudential principles and reduce a default risks possibly experienced by a counterparty which will cause a failure to settle an agreed transaction. The term “Working day” means the working day of Bank Indonesia or LPP appointed by Bank Indonesia.

#### Article 17

Sufficiently Clear.

#### Article 18

##### Paragraph (1)

The Prohibition from selling Sharia Negotiable Certificate of Deposit to Non-Residents is determined in order to maintain a financial system stability from the risk of a sudden increase in Bank loan exposure to Non-Residents due to transactions on the secondary market.

##### Paragraph (2)

The term “Resident” means an individual, legal entity , or any other entities that domiciled or plan to domicile in Indonesia for at least 1 (one) year, including the Republic of Indonesia’s diplomatic representatives and staff overseas.

The Prohibition from providing intermediary services to sell Sharia Negotiable Certificate of Deposit from resident customers to Non-Residents is determined in order to maintain a financial system stability from the risk of a sudden increase exposure to Non-Residents due to transactions in the secondary market.

#### Article 19

Sufficiently Clear.

## Article 20

### Paragraph (1)

The Administration and settlement of Sharia Negotiable Certificate of Deposit Transactions are conducted in the form of, among others, of ownership recording, document storage, ownership transfer, recording transfer, and payment of Sharia Negotiable Certificate of Deposit.

### Paragraph (2)

Sufficiently Clear.

### Paragraph (3)

Sufficiently Clear.

## Article 21

The Issuance and/or Sharia Negotiable Certificate of Deposit Transactions under Sharia Principles are activities which do not contain elements as follows:

- a. Riba, namely unlawful increase in revenue (*batil*) among others in an exchange transaction of similar goods with different quality, quantity, and delivery time (*fadh*l), or in loan borrowing transactions requiring a fund beneficiary to return the received fund in the excess of the loan principal as the time elapses (*nasi'ah*);
- b. *maisir*, namely a transaction which is subject to an uncertain and speculative condition;
- c. *gharar*, namely a transaction whose object is unclear, not owned by the parties, with an unknown whereabouts or is not transferable when a transaction is conducted unless specified otherwise in sharia;

d. *haram*, namely a transaction whose object is prohibited in sharia;  
or

e. *zalim*, namely a transaction causing injustice for other parties.

Application of Sharia Principles refer to the fatwa issued by the National Sharia Council-Indonesia Ulema Council.

## Article 22

### Paragraph (1)

Sufficiently Clear. .

### Paragraph (2)

The Fulfillment of the prudential principles by a Bank as an Issuer starts from the preparation of issuance, issuance, and post-issuance until payment of the Issuer's liabilities. Fulfillment of the prudential principles aims to ensure that the Issuer is able to fulfil the Issuer's liabilities, primarily pertaining to the payment of Sharia Negotiable Certificate of Deposit.

#### Point a

The Application of the prudential principles in transparency and information openness is conducted among others through information disclosure during and after issuance.

The Fulfillment of the principles of transparency and information openness is conducted among others to protect the interest of the investor of Sharia Negotiable Certificates of Deposits.

#### Point b

The Application of the prudential principles in consumer protection is conducted among others through an application of good governance in the process of preparation of issuance, issuance, and payment.

#### Point c

The Mechanism of dispute resolution must be confirmed and agreed in the beginning among others through a disclosure in an information memorandum and/or other documents.

Paragraph (3)

The Application of the prudential principles by Transaction Participants in the form of banks and Securities Companies and Supporting Institutions of Sharia Negotiable Certificate of Deposit Transactions in the form of Securities Companies and Money Brokers is conducted in every aspect of transaction or trade starting from the pre-transaction, transaction, and post-transaction. The Application of the prudential principles aims to boost the creation of a credible trade of Sharia Negotiable Certificate of Deposit.

Point a

The Fulfillment of transaction ethics and market code of conduct or similar guidelines may use any available market code of conduct, such as the market code of conduct issued by Indonesia Islamic Global Market Association (IIGMA).

Point b

The Application of the prudential principles in transparency and information openness is conducted among others during a submission of quotation to an investor candidate of Sharia Negotiable Certificate of Deposit based on an internal guideline and market code of conduct generally used by Transaction Participants and Supporting Institutions in Sharia Negotiable Certificate of Deposit Transactions.

Point c

The Application of the prudential principles in consumer

protection of Sharia Negotiable Certificate of Deposit is conducted among others through a preparation and application of transaction service standard in accordance with the best practice, an application of good governance in the trading of Sharia Negotiable Certificate of Deposit, and a provision of intermediary services in accordance with the code of ethics and other provisions for consumer protection.

Point d

The Dispute settlement mechanism needs to be confirmed and agreed in the beginning among others under an contract or any other documents between Supporting Institution of Sharia Negotiable Certificates of Deposit Transactions and customer as an investor of Sharia Negotiable Certificate of Deposit.

Paragraph (4)

The Application of the prudential principles by Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions in the form of banks conducting Custodian and Securities Companies activities is conducted starting from accepting customers, administration of customer's accounts, settlement of Sharia Negotiable Certificate of Deposit Transactions, administration of Sharia Negotiable Certificate of Deposit, report submission to customers, and provision of other administrative services.

Point a

The Application of the prudential principles in transparency and information openness is conducted among others through a disclosure of information by Supporting Institutions of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions by providing easy access for customers as investors of



Sharia Negotiable Certificate of Deposit to obtain information on administration and settlement of Sharia Negotiable Certificate of Deposit Transactions.

Point b

The Application of the prudential principles in consumer protection is conducted among others through an application of good governance in customer registration, a settlement of Sharia Negotiable Certificate of Deposit Transactions, distribution of Sharia Certificate of Deposits in the primary market, and an administration of Sharia Negotiable Certificate of Deposit.

Point c

Dispute settlement mechanism needs to be confirmed and agreed in the beginning among others based on an contract or any other documents between a Supporting Institution of Administration and Settlement of Sharia Negotiable Certificate of Deposit Transactions and an investor of Sharia Negotiable Certificate of Deposit.

Article 23

The Application of risk management refers to the provisions on risk management specified by the authorized authority.

The Application of risk management by a Bank as an Issuer is conducted against the risks encountered by the bank such as credit risks which potentially cause an unpaid Sharia Negotiable Certificates of Deposit, and business risks which potentially disrupts the business sustainability of an Issuer, which will in turn affect the Issuer's ability to pay the principal and profit sharing of Sharia Negotiable Certificate of Deposit.

Article 24

Sufficiently Clear.

Article 25

Sufficiently Clear.

Article 26

Sufficiently Clear.

Article 27

Sufficiently Clear.

Article 28

Paragraph (1)

Sufficiently Clear.

Paragraph (2)

Point a

The term “Bank” means a commercial bank, sharia commercial bank, and sharia business unit.

Point b

Sufficiently Clear.

Point c

Sufficiently Clear.

Paragraph (3)

Point a

The term “Bank” means a commercial bank, sharia commercial bank, and sharia business unit.

Point b

Sufficiently Clear.

Point c

Sufficiently Clear.

Paragraph (4)

Sufficiently Clear.

Paragraph (5)

Sufficiently Clear.

Paragraph (6)

Sufficiently Clear.

Paragraph (7)

Sufficiently Clear.

Article 29

Paragraph (1)

The report to be submitted by LPP at least includes the administration and settlement of Sharia Negotiable Certificate of Deposit Transactions.

LPP submits a report for quality assurance of Sharia Negotiable Certificates of Deposit.

Paragraph (2)

Sufficiently Clear.

Article 30

Sufficiently Clear.

Article 31

Sufficiently Clear.

Article 32

Sufficiently Clear.

Article 33

Sufficiently Clear.

Article 34

Sufficiently Clear.

Article 35

Sufficiently Clear.

Article 36

Sufficiently Clear.

Article 37

Sufficiently Clear.

Article 38

Sufficiently Clear.

Article 39

Sufficiently Clear.

Article 40

Sufficiently Clear.